

Typical Steps In Major Rate Cases

Summary Of Steps In Rate Cases

- Public Service Commission (PSC) receives rate increase request.
- PSC staff examine utility's books and figures (audit).
- Other PSC staff investigate utility's rate designs and the effects of the proposal on customers.
- Prehearing conference develops list of hearing issues and sets schedule.
- PSC issues notice of hearing.
- Staff and parties prepare testimony for hearing (results of PSC staff investigation).

Public Hearing Process Gathers Facts

- Utility representatives present testimony.
- Members of public speak and give their views.
- Staff and intervenors present testimony.
- Cross-examination. (All participants can cross-examine witnesses.)
- Verbatim record of hearing is made.
- Briefs may be filed.

Open Meeting of Commissioners

- Review utility's request and all testimony and briefs.
- Discuss case.
- Arrive at decision.

Agency Drafts and Issues Order (at a second open meeting)

Persons affected by the decision may petition the Commission to reconsider its decision or may challenge it in court.

Terms To Understand

To understand a rate increase request and the hearing that follows, you need to know the meaning of certain terms. For example:

Rate of Return

All privately-owned public utilities need investors to lend and invest money for construction and other plant expenses. These investors must receive a fair return on their investments or they will not keep their money invested in the utility. Therefore, an authorized return on investment is required, and the PSC is required by law to provide an opportunity for the utility to earn a reasonable return to ensure adequate service.

Revenue Requirement

Revenue requirement refers to how much money it takes to cover the utility's expenses plus a reasonable return on its investments. This amount is the total of many things, such as labor, energy production, energy distribution, customer accounting, administrative expenses, return on stocks, and interest on bonds.

Rate Designs

There are different customer classes (e.g., residential, commercial, industrial), and each class may require different levels or types of service from a utility. The expense of using the service at different times of the day and different seasons, and the amount of service demanded by these different classes, are all considered when designing rates for various classes of customers.

The Case Begins

A large utility's application to raise its rates begins when it files a detailed proposal with the PSC. This proposal contains extensive information on the utility's last rate increase, a detailed 12-month income statement including **actual** earned rates-of-return on investments, and an explanation of major revenue, expense, and investment changes.

Proposed Changes

The proposal also includes the proposed rate increase and rate of return on investments requested by the utility. The PSC also requires analyses of consumer consumption and the impact the proposed rate increase would have on consumers.

This information is distributed to the appropriate PSC staff members to help them as they begin their study of the proposal. At this point, customers are notified of the proposal by a utility bill insert and often by the news media.

PSC Staff Preparation

To assist the Commissioners in rate cases, PSC staff examine the utility's books and figures (audit) to determine whether the utility's estimated levels of expenses and revenues are reasonable. The auditing staff may testify as to what revenue and expenses should be allowed in the application. Such testimony may include recommendations about return on invested capital, including debt and stock.

Other PSC staff will analyze the utility's proposed rate designs. Often the staff will offer alternative rate designs. Rate designs are important because they determine how much each customer will be charged per unit of utility service, and how much revenue various customer classes (residential, commercial, industrial) will contribute for the utility's costs.

Anyone who wishes to take part in all the stages of a rate case may participate in the prehearing conference which develops a list of issues and sets the schedule.

PSC Issues a Notice

After the PSC staff completes its investigation on the case, a hearing notice will be issued giving the time, location, subject, and type of notice. There are three types of notices, and they can be combined or not.

These are:

1. Notice of Investigation and Assessment of costs;
2. Notice of Prehearing; and
3. Notice of Hearing.

The notice briefly describes the proposal including the size of the requested revenue increase and the reasons for the application.

The location of the hearing depends on anticipated public participation and staff workload.

The PSC sends this notice to local media and interested parties who have asked to be placed on the PSC notice mailing list. To be put on the mailing list, contact PSC Records Management, 610 N. Whitney Way, P.O. Box 7854, Madison, WI 53707, (608) 266-3371.

Preparing for the Hearing

Your views are extremely important. To increase the effectiveness of your comments, take a minute to organize your thoughts and put them on paper. Your participation will be enhanced if you or your representative review specific information about the utility's rate application and the general basis on which the Commission must decide the case.

The Hearing Begins

PSC hearings are normally conducted by an Administrative Law Judge (ALJ) or the Commissioners themselves.

The ALJ functions like a referee. The ALJ's primary duties are to ensure that a case record is developed on which the Commission can base its decision and that the hearing is conducted in a fair and orderly manner. ALJs, who are attorneys, are also required to make legal rulings on evidence and procedure.

PSC Staff Involved

PSC technical staff are present at the hearing to listen to testimony, cross-examine witnesses, and testify. They may present alternatives to the applicant’s proposal.

Utility Representatives

The utility asking for the rate increase has the responsibility to show the Commission why the increase is needed. The utility sends representatives to testify and lawyers to question witnesses. No one is allowed to ask the public harassing or embarrassing questions.

Citizen Involvement

Others—such as consumers, local government officials, or industry representatives—who wish to participate in the hearing may do so as a “party to the case.” If you wish to speak and/or receive a copy of the order, fill out an appearance slip and give it to the hearing examiner, or sign the attendance sheet that may be passed around the room.

Please indicate on the appearance sheet whether you support or oppose the proposal. If you do not know or are seeking information, check the box marked “as interest may appear,” and indicate whether or not you wish to speak.

If you wish to testify during a hearing, you do not have to be represented by an attorney. As a citizen, you have the right to testify with or without taking an oath, and ask questions of any witness.

Order of Appearance

Utility representatives ordinarily will present their evidence first. Other parties are then given the chance to ask questions and enter testimony. The PSC staff at various times may present testimony and ask any questions necessary to develop a complete record.

Taking the Witness Stand

If you plan to testify, please try to inform the ALJ before the hearing or during a recess. If you have a time restriction, inform the ALJ, who will try to adjust to your time schedule.

Once you are on the witness stand, the ALJ will usually administer an oath to you and ask a few preliminary questions (name, address, occupation, interest). After providing preliminary information, state your position or reason for appearing. You may read from a prepared statement if you would like to do so.

While on the stand, if you are under oath you may be cross-examined. No one will be allowed to harass you. Utility representatives, PSC staff, and other interested participants may ask you questions. If you do not know the answer to a question, it is best to say so—no one is expected to have all the answers.

Major Issues

Revenue requirement, rate of return, rate design, and customer impact are some of the major issues that the Commission usually considers while making rate application decisions. Public opinion and comment are important factors in the decision process, but many technical aspects must also be considered. If such issues are not taken into account, utilities could face financial hardship, and utility service, often taken for granted, would be jeopardized.

Decision Making

After all the facts have been gathered, the file containing the transcripts and exhibits from the hearing, and the briefs of the parties and the PSC staff, go to the Commissioners.

The PSC’s three full-time Commissioners will discuss the case at an open meeting. Anyone may attend a meeting, but only the Commissioners and PSC staff may speak.

The Commissioners will reach a decision on rates that, among other things,

- Will authorize the smallest rates that will allow the company to meet its expenses, pay interest on its debt, and provide a reasonable return to stockholders, and
- Will assign the proper rate for each customer category that will fairly reflect the cost of providing service for these customers and other factors.

When a decision has been made on the rate application by the Commissioners, they direct the PSC staff to draft an order. The staff brings the draft order back to a Commission meeting for approval and issuance. Anyone affected by the decision can ask the PSC for reconsideration or may challenge the decision in court.

Bilingual Service - Servicio Bilingüe

The PSC is also able to provide customer assistance in Spanish. When calling the PSC, please ask to speak to a Spanish speaking representative.

En la Comisión de Servicios Públicos del estado de Wisconsin (PSC) podemos asistirles en Español. Cuando llame a la PSC, pida hablar con un representante de habla hispana.

To contact the PSC call (608) 266-2001 within Madison. If you are out of Madison, dial 1 (800) CAL- PSCW (225-7729); or write to:

**Public Service Commission
Consumer Affairs
P.O. Box 7854
Madison, WI 53707-7854**

The Public Service Commission of Wisconsin does not discriminate on the basis of disability in the provision of programs, services, or employment. If you are speech, hearing, or visually impaired and need assistance, call (608) 266-5481 or TTY (608) 267-1479. We will try to find another way to get the information to you in a usable form.

FAX (608) 266-3957
TTY (608) 267-1479
Consumer Affairs (800) 225-7729
General (608) 266-5481
Email PSCRECS@PSC.STATE.WI.US
Web Site <http://psc.wi.gov>
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